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STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS, AND MINING
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August 21, 1980

John S. Malecker
Executive Vice President
United Bank
5595 South State Street
Murray, Utah 84107

Dear Mr. Malecker:

Enclosed please find an agreement between the Board of Oil, Gas and Mining and the Co-op Mining Company concerning reclamation surety for the Bear Creek Canyon Portal property located in Emery County, Utah. This agreement reflects the regulatory requirements of the Board of Oil, Gas and Mining with respect to acceptance of a letter of credit to meet an operators reclamation obligations under State law.

The present letter of credit authorizing the Division to draw on the United Bank is inadequate to meet the present regulatory requirements in several respects. The term of the letter of credit must be no less than five (5) years rather than the present one-year obligation. I suggest that the letter of credit be automatically renewable for one (1) year periods over the five year term to meet this requirement.

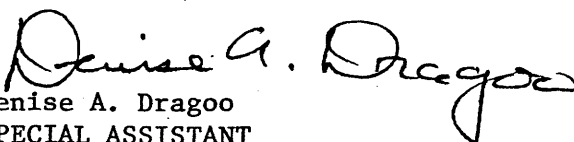
The second deficiency of the letter of credit is the requirement that drafts be "accompanied by a signed statement from the head of your division stating that the funds were used for the restoration of the mining property located in Huntington Canyon, Emery County operated by the Co-op Mining Company". The Division's procedure for drawing upon the letter of credit follows that set forth at UMC Part 808 for forfeiture of performance bonds. Upon a determination by the Division that the permittee has failed to conduct appropriate reclamation activities, the Division will contact the United Bank by certified mail as to the State to complete the permittee's reclamation activities. The Division will then draw upon the letter of credit any such amount deemed necessary by the State to meet such estimated costs.

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The final area of concern to the Division with respect to the letter of credit are certain notification responsibilities on the part of United Bank. The regulations require that the Bank inform the Division of any event which would jeopardize the validity of the letter of credit including the Bank's ability to pay pursuant to the terms of the instrument or the expiration of the letter of credit by agreement between Co-op Mining Company and the United Bank.

The regulatory requirements which the letter of credit must satisfy are somewhat cumbersome and unfamiliar to everyone involved. Please feel free to call me if you have further question.

Sincerely,


Denise A. Dragoo
SPECIAL ASSISTANT
ATTORNEY GENERAL

DAD/bh

cc: Carl E. Kingston, Esq.
Attorney for Co-op Mining Co.